



CITY OF ATLANTA

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The Honorable John Lewis
U.S. House of Representatives
343 Cannon House Office Building
Washington, DC 20515

Dear Congressman Lewis:

As the Congress continues debate over the form and substance of its response to the country's declining economic health, I wanted to provide you with my perspective on the challenges that the City of Atlanta faces and urge you to consider them as you participate in these critically important conversations.

In my previous communications -- a joint letter to Secretary Paulson from the Mayors of Phoenix, Philadelphia and Atlanta, and a letter from me to Chairman Rangel -- we outlined the overall threat the declining economy has to municipal finances and the likelihood that without assistance we will be forced to lay off workers and reduce critical services. I have attached those letters for your information.

The purpose of this letter, however, is to describe for you how the deteriorating financial climate is directly impacting our two major infrastructure programs -- the Clean Water Atlanta water/sewer program and the expansion program at Hartsfield-Jackson Atlanta International Airport. These infrastructure projects support hundreds of families and many businesses. Investing in our infrastructure will create immediate jobs in the city. The unemployment rate in Georgia is 7%, higher than the national average, and the loss of these vital jobs will only increase this figure putting hundreds more families at risk. In the current financial markets, without Federal action, these programs will be severely delayed or suspended and -- rather than be part of the solution to improving the economic conditions in the region -- may in fact contribute to their decline.

Clean Water Atlanta

With revenues already falling because of conservation efforts in response to the regional drought, the Department of Watershed Management (DWM) enters this economic downturn in a vulnerable financial position. Although DWM recently completed the \$759 million Combined Sewer Overflow Consent Decree program -on time and on budget - the Department remains under a second Consent Decree governing Sanitary Sewer Overflows which has a court-imposed deadline of 2014. The work under this Consent Decree includes a massive, city-wide program of sewer inspections and rehabilitation. It is expected to cost \$1.6 billion by the time it is completed. Atlanta also is scheduled to invest close to \$1

billion dollars in its drinking water infrastructure, including over \$350 million in new water mains that are designed but contingent on capital financing. Rebuilding water infrastructure improves the environment, improves public health and reduces our wasteful usage of our limited resource.

Progress on these programs is severely compromised by three factors:

- *Costs to Service our Existing Debt are Going Up.* DWM will face substantially higher costs on its existing debt due to sharp increases in rates and fees on variable rate debt instruments and tax-exempt commercial paper program. We are estimating that the annual costs associated with debt that has already been issued in support of our infrastructure program will increase by around \$15 million annually. It is unclear how we can absorb these increased debt expenses. With the highest water/sewer rates in the country among metropolitan utilities and a one-cent sales tax, Atlanta's residents (25 percent of whom fall near or below the federal poverty line) already are facing a high economic burden because of this infrastructure overhaul. Atlanta rates are among the highest in the country, while the poverty level of city residents is over 20%. Another rate increase is not tenable.
- *Increase Costs of New Debt.* Tightened credit conditions and limitations on access to the credit markets mean that the City either will not have access to necessary capital financing mechanisms or the costs of using these instruments will be prohibitive, imposing large burdens over extended periods of elevated debt service responsibility. Our plan is to issue around \$3 billion in debt over the next several years. If we cannot issue that debt, not only will this impede our ability to meet our Consent Decree requirements but an opportunity to sustain and create jobs will be missed.
- *Threats to Operating Revenue.* Empty houses do not use water. The foreclosure crisis has hit Atlanta particularly hard; the metropolitan area was Number 11 of the top 100 metro areas in number of 2007 foreclosures, a rate of 2.5 percent. Over 6% of the housing stock in the City of Atlanta is currently in foreclosure. These foreclosures represent revenue that once existed but has now disappeared. In addition, a significant source of revenue - the one-cent Municipal Option Sales Tax (MOST) - will also be negatively affected as tourism and business travel is curtailed and consumers stop spending.

Expansion Program at Hartsfield-Jackson Atlanta International Airport

The Airport makes a \$23.5 billion annual economic impact on the greater metro Atlanta economy, and it is directly or indirectly responsible for 393,000 jobs in metro Atlanta. We are currently engaged in a multi-year expansion program that will increase the impact on the regional economy and ensure that Atlanta remains a major economic engine in the southeastern United States.

Yet the expansion program at Hartsfield-Jackson Atlanta International Airport faces the same threats as those facing Clean Water Atlanta. Due to the impairment of the bond market for variable rate demand obligations, debt service costs are projected to increase by \$26 million this year for debt that has already been issued. In addition, we are unable to sell an additional \$600 million in municipal bonds due to the credit freeze and the collapse of the bond insurance industry.

Hartsfield-Jackson, like other U.S. airports, has access to capital via the issuance of bonds. Despite an investment grade A+ debt rating, investors are not willing to assume Airport debt since the Airport's credit rating is not triple A, and there is a lack of bond insurance capacity to cover the needs of the airport industry. In the absence of new funding, work will be suspended on construction of the Maynard H. Jackson International Terminal. If this occurs, nearly 300 construction-related jobs will be lost this year and an additional 2,300 jobs between now and 2011 that would otherwise have been created will be lost. In addition, there are approximately 500 off-site vendor jobs which will be lost.

Without access to capital, other construction projects in jeopardy include: new cargo facility construction, a runway extension project, concourse expansion, Airport fire station renovation and phase four of our terminal upgrade project. Hundreds of jobs directly associated with these projects will not be created. In addition, the economic benefits that would accrue to the region through the expansion of these facilities will not be realized.

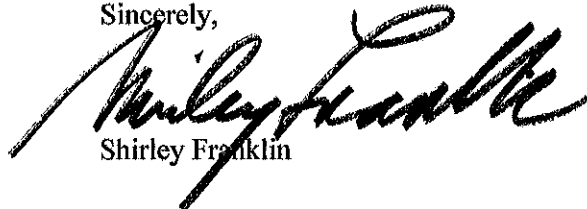
Conclusion

We urge you and your colleagues in Congress to seriously consider taking actions that will specifically address these threats we face. These might include:

- The creation of a short-term borrowing facility that would allow cities to meet immediate cash flow needs.
- Direct intervention in the credit markets – either through capital inflows or credit guarantees – that will increase the demand for municipal debt and lower its cost to issuers.
- Direct infrastructure investments (either through a national infrastructure bank or through direct grants and loans) that will permit cities to continue their infrastructure programs while the credit markets stabilize and recover.

We are eager to work with Congress on these and other approaches. We are convinced that cities can be part of the solution to the economic crisis we face if we provide them with mechanisms they need to keep existing jobs and create new ones. Thank you again for your leadership.

Sincerely,



Shirley Franklin